

Evonik acquires Specialty & Coating Additives business of Air Products

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- Evonik strengthens leading position in the attractive growth market for specialty & coating additives
- Product and customer portfolios are highly complementary
- Acquisition secures leading position in North America for Evonik and strengthens innovation
- Synergies of 80 million US dollars per year expected

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Evonik Industries AG is acquiring the Specialty & Coating Additives business (Performance Materials Division) of the US company Air Products and Chemicals, Inc. for 3.8 billion US dollars (approx. €3.5 billion), strengthening its leading position on the high-margin specialty & coating additives market. The transaction is intended to be completed by the end of the year. It is expected that the acquisition will be EPS accretive for Evonik in the 2017 business year.

Klaus Engel, CEO of Evonik Industries AG, said: “Evonik is already one of the leading producers of specialty & coating additives. Air Products’ Specialty & Coating Additives business perfectly complements this fast-growing segment. With this acquisition we are expanding our portfolio with precisely the right markets, products and innovations and continuing to invest in our growth and profitability.”

Rapid integration

With its own strategic reorganization and creation of three independent operational segments in 2015, Evonik established the right conditions for integrating major acquisitions. As such, Air Products’ Specialty & Coating Additives business can be rapidly integrated into the growth segments Nutrition & Care and Resource Efficiency. The combined specialty & coating additives business has a turnover of around €3.5 billion and an attractive EBITDA margin of more than 20%. At the same time, Evonik is further strengthening its leading position in rapidly growing, highly profitable markets with strong differentiation from competitors and low dependence on commodity prices.

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Highly complementary products and markets

With their products and their strong positions in the key global markets, Evonik and the newly acquired business are highly complementary. Their specialty & coating additives add critical and highly valuable characteristics to their customers' products. The two businesses serve three particularly attractive, rapidly growing core markets: coating and adhesive additives, high-value PU foam additives, and specialty surfactants for industrial and institutional cleaning. They target the same end customers, but with different and complementary products. For instance, Evonik is a leader in PU foam stabilizers while the Specialty & Coating Additives business of Air Products is well positioned in PU foam catalysts. Demand for these products is rising strongly, and the market for these additives will grow far more quickly than overall demand for chemical products.

Geographically, Evonik and the acquired division also complement each other. While the focus of the Air Products' business is on North America and Asia, Evonik is particularly strong in Europe. With the current acquisition, Evonik is crucially boosting its standing in the North American market, allowing it to serve the increasingly global activities of its customers even more effectively. At the same time, by growing in North America and Asia, Evonik is reducing its dependence on the European market and therefore better protecting its own business against economic fluctuations in individual regions.

Strengthening innovation

Like Evonik, Air Products' Specialty & Coating Additives business follows a solution-oriented business model driven by intensive interaction with customers in research and development and outstanding technical service. The acquisition will allow Evonik to significantly strengthen its innovation leadership.

High synergy potential and tax benefits

By optimizing production/logistics, marketing/sales and administration, Evonik expects to generate cost synergies of 60

million US dollars per year. These should be fully realized by 2020 at the latest. In addition, Evonik expects to achieve revenue synergies by combining innovation activities, leveraging the respective client bases and product portfolios, and taking advantage of geographical adjacencies. In total, the deal is expected to generate annual synergies of 80 million US dollars.

The transaction is partly structured as an asset deal, which will lead to tax benefits which are typical for transactions of this nature. These benefits amount to a net present value of more than 500 million US dollars.

Transaction financing

Half of the outlay for the acquisition will be financed with the company's own funds, the other half with additional debt. Evonik will maintain a strong balance sheet and continues to aim for a solid investment grade rating after the transaction.

The planned acquisition remains subject to formal approvals from the relevant antitrust authorities.

Additional information on Air Products' Specialty & Coating Additives business

The Specialty & Coating Additives business of Air Products is the Performance Materials Division within the Materials Technologies Segment of Air Products and Chemicals, Inc. In 2015, the business generated a turnover of around 1.1 billion US dollars and posted EBITDA of 242 million US Dollars, which represents a margin of 22%. It has around 1,100 employees at 11 production and development locations and offers local customer support in all key global regions.

Company information

Evonik, the creative industrial group from Germany, is one of the world leaders in specialty chemicals. Profitable growth and a sustained increase in the value of the company form the heart of Evonik's corporate strategy. Its activities focus on the key megatrends health, nutrition, resource efficiency and globalization. Evonik benefits specifically from its innovative prowess and integrated technology platforms. Evonik is active in over 100 countries around the world. In fiscal 2015 more than 33,500 employees generated sales of around €13.5 billion and an operating profit (adjusted EBITDA) of about €2.47 billion.

Evonik Industries has been producing specialty chemical products in the Greater China region (Mainland China, Hong Kong and Taiwan) since the late 1970's; with wide-ranging trading relations already in place prior to this in the region. Evonik regards Greater China as one of the driving forces of the global economy and we

consequently endeavor to grow our business in the region. The company now has around 3,000 employees in the Greater China region, the regional sales reached over €1.3 billion in 2015.

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